

**REPORT OF THE AUDIT OF THE
PIKE COUNTY
CLERK**

**For The Year Ended
December 31, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable William Deskins, Pike County Judge/Executive
Honorable Lillian Pearl Elliott, Pike County Clerk
Members of the Pike County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees of the County Clerk of Pike County, Kentucky, for the year ended December 31, 2003.

We engaged Ross & Company, PLLC to perform the audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Pike County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
PIKE COUNTY
CLERK**

**For The Year Ended
December 31, 2003**

**ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PIKE COUNTY CLERK

**For The Year Ended
December 31, 2003**

Ross & Company, PLLC has completed the Pike County Clerk's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting described in Note 1.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and quarterly paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Pike County Clerk had total receipts of \$15,316,246, which was a \$362,258 decrease from the prior year. Except for reimbursed expenses in the amount of \$69,220 and fiscal court contributions of \$125,000, the County Clerk paid 25% of receipts to the Pike County Fiscal Court in the amount of \$328,252. This was an increase of \$1,980 from the prior year. In addition, disbursements decreased by \$219,267.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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ROSS & COMPANY, PLLC
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The Honorable William Deskins, County Judge/Executive
The Honorable Lillian Elliott, Pike County Clerk
Members of the Pike County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Pike County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2003. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2004, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Honorable William Deskins, County Judge/Executive
The Honorable Lillian Elliott, Pike County Clerk
Members of the Pike County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Pike County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in black ink.

Ross & Company, PLLC

Audit fieldwork completed -
September 9, 2004

PIKE COUNTY
LILLIAN ELLIOTT, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

State Fees For Services		\$	24,045
Fiscal Court			137,652
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	1,858,058	
Usage Tax		6,559,221	
Tangible Personal Property Tax		4,302,632	
Licenses-			
Fish and Game		19,296	
Marriage		20,130	
Occupational		4,676	
Deed Transfer Tax		62,368	
Delinquent Taxes		<u>1,859,178</u>	14,685,559
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	38,098	
Real Estate Mortgages		98,557	
Chattel Mortgages and Financing Statements		186,695	
Powers of Attorney		2,206	
Bail Bonds		7,847	
Articles of Incorporation		1,080	
All Other Recordings		83,541	
Charges for Other Services-			
Candidate Filing Fees		23,603	
Copywork		<u>22,601</u>	464,228
Other:			
Election Filing Fees	\$	100	
Miscellaneous		<u>2,435</u>	2,535
Interest Earned			<u>2,230</u>
Total Revenues		\$	15,316,249

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
 LILLIAN ELLIOTT, COUNTY CLERK
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
 For The Year Ended December 31, 2003
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,482,224

Usage Tax 6,321,760

Tangible Personal Property Tax 1,554,148

Licenses, Taxes, and Fees-

Fish and Game 17,982

Delinquent Tax 232,991

Legal Process Tax 54,676

Candidate Filing Fees 60 \$ 9,663,841

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 447,035

Delinquent Tax 227,627

Deed Transfer Tax 59,758

Occupational Licenses 3,799

Delinquent Tax-Solid Waste 62,153 800,372

Payments to Other Districts:

Tangible Personal Property Tax \$ 2,122,911

Delinquent Tax 866,990 2,989,901

Payments to Sheriff

26,873

Payments to County Attorney

275,143

Other-

Refunds and Overpayments \$ 3,424

Usage Tax Refunds 40,373

Ad Valorem Tax Refunds 6,961

Training 1,115

Miscellaneous 11,356 63,229

Total Expenditures

\$ 13,819,359

Net Revenues

\$ 1,496,890

Payments to State Treasurer:

75% Operating Fund \$ 1,168,638

25% County Fund 328,252 1,496,890

Balance Due at Completion of Audit

\$ 0

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
LILLIAN ELLIOTT, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND AND
COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2003

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2003	\$	\$	\$
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,168,638		1,168,638
Fees Paid to State - County Funds (25%)		328,252	328,252
Total Funds Available	\$ 1,168,638	\$ 328,252	\$ 1,496,890
<u>Expenditures</u>			
Payments to Pike County Fiscal Court	\$	\$ 328,252	\$ 328,252
Personnel Services-			
Clerk's Statutory Maximum	81,968		81,968
Clerk's Expense Allowance	3,600		3,600
Deputies Salaries	564,688		564,688
Employee Benefits-			
Employer's Share Social Security	47,478		47,478
Employer's Share Retirement	39,369		39,369
Employer's Paid Health Insurance	227,673		227,673
Employer's Paid Life Insurance	2,398		2,398
Contracted Services-			
Printing and Binding	11,097		11,097
Supplies and Materials-			
Office Supplies	5,591		5,591
Other Charges-			
Books and Journals	3,030		3,030
Dues	2,950		2,950
Postage	15,635		15,635
Computer Maintenance	4,851		4,851
Tax Bill Preparation	10,365		10,365
Telephone	2,212		2,212
Miscellaneous	3,036		3,036

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
 LILLIAN ELLIOTT, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND AND
 COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2003
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Auto Expenses-			
Gasoline and Maintenance	\$ 1,218	\$	\$ 1,218
Convention Expense	1,115		1,115
Capital Outlay-			
Carpet	11,944		11,944
Office Equipment	10,951		10,951
Total Expenditures	<u>\$ 1,051,169</u>	<u>\$ 328,252</u>	<u>\$ 1,379,421</u>
Fund Balance - December 31, 2003	<u>\$ 117,469</u>	<u>\$ 0</u>	<u>\$ 117,469</u>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2003

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

PIKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bonds which named the County Clerk as beneficiary/obligee on the bonds.

PIKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003
(Continued)

Note 4. Grants

- A. The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$43,202 during the 1995 calendar year. The Clerk had a balance of \$1,765 on January 1, 2003 and the account earned \$6 of interest during the year. No funds were expended during 2003. The unexpended grant balance as of December 31, 2003 was \$1,771.
- B. The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$22,570 during 1999. The Clerk had a balance of \$463 on January 1, 2003 and the account earned no interest during the year. The unexpended grant balance as of December 31, 2003 was \$463.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ROSS & COMPANY, PLLC
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Facsimile (502) 499-9132

The Honorable William Deskins, Pike County Judge/Executive
The Honorable Lillian Elliott, Pike County Clerk
Members of the Pike County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Pike County Clerk for the year ended December 31, 2003, and have issued our report thereon dated September 9, 2004. This was a special report on the County Clerk's financial statements prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pike County Clerk's financial statements as of December 31, 2003, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

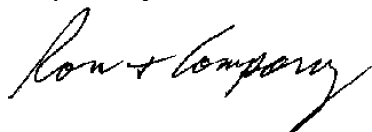
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive style.

Ross & Company, PLLC

Audit fieldwork completed -
September 9, 2004

